



**STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING**

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**TO: Participating Schools and Lenders**

**FROM: Diane Todd Sprague, Director**

**DATE: May 18, 2007**

**SUBJECT: Educational Loan Notes**

**FEATURED FINANCIAL AID PROFESSIONAL**

How did Agnes Russell start her career in financial aid and become the financial aid director at Kuyper College? She was working in a local hardware store in her hometown and Becky Powell, who was financial aid director at Jordan College at the time, walked in and asked if she would be interested in a job as her secretary! That was in January 1980, and Agnes has been working in the financial aid field ever since.

Agnes believes that her job is to look at the whole financial aid picture and put the aid package together like a puzzle. It is rewarding for her to make all the pieces fit so that the financial aid package allows a student to attend Kuyper College. She feels a sense of accomplishment when she sees that student graduate and, "go out to impact the world for Christ."

Agnes' major career challenge is ensuring that Kuyper students graduate with a debt load that allows them to pursue their calling. With many of the school's graduates going on to service-oriented professions or to the mission field, it is important that student loan debt does not block them from their plans.

Agnes loves attending any type of training that helps her learn more about her job. She believes that when it comes to financial aid she "will always be a learner and will never know it all." She also views training opportunities as a way to create a great network of support from the people she meets from other colleges, lenders, servicers, etc.

When it comes to people in the financial aid business, obviously Becky Powell has been Agnes' greatest influence. Agnes freely admits that Becky still gets phone calls from her asking for advice! Agnes loves the bond that she shares with her colleagues in the financial aid field. When she picks up the phone to call Marlene DeVries, Kim Desgranges, Tom Dreyer, Nancy Vaughn, and so many others, she knows she is not just calling a professional for help, she is calling a friend.

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If Agnes could change one process concerning financial aid, she would make it simpler for students to get financial aid and for schools to do their side of the work. Sometimes the amount of behind-the-scenes work that financial aid professionals do for a specific grant is daunting. At times she wonders how larger schools deal with that.

The financial aid office is gearing up for some major changes this year. "We are going electronic this year and are really excited," Agnes said. "No more paper MPNs!" Students will go to the Kuyper College Web site and learn how to apply for loans. From there, they will be able to choose their lender and complete the Master Promissory Note (MPN) online for Stafford and PLUS loans, and will be able to apply for alternative loans.

Outstanding customer service is a must in the financial aid office at Kuyper College. They did a survey in the past and asked students to rate their office on things like courtesy on the phone, prompt response to emails, etc., and they were pleased with the high scores they received. Agnes said that it is rewarding when a student stops her and tells her that her office is awesome; it encourages the financial aid staff to keep going and assures them that they are doing things right!

Agnes believes part of what makes the financial aid office at Kuyper College so special is that they are able to give students the individualized attention that they may not get at a larger college or university. And with the admissions, academic, financial aid, and business offices all on the same floor and "within shouting distance of each other," it allows a student to take care of everything at once. "It also allows us to literally walk with them to the next office and help explain the situation that needs to be taken care of," Agnes said. "At Kuyper we can walk beside the students from their first campus visit all the way to graduation. Students and their parents feel comfortable stopping by or calling when they have questions."

Agnes may have followed a non-traditional path to work in financial aid, but now after having worked in the field for 26 years, she cannot think of anything she would rather do. And it is obvious that with her dedication, expertise, and love for her students, Kuyper College is fortunate that Agnes followed the path to their campus. The Michigan Guaranty Agency (MGA) salutes Agnes Russell for her contribution to the financial aid community and to the students she serves.

## STAFF NEWS

Congratulations to Stephanie Bogard on her new position as Director of Financial Aid at Lansing Community College. Her first day as director was April 30<sup>th</sup>.

Stephanie joined the Student Financial Services (SFS) Bureau in 2002 as the Deputy Director in the Office of Scholarships and Grants. She joined the office during a time when a new data collecting and payment processing system was being initiated. She was very involved with the implementation phase of the system and with training others to use it.



Stephanie Bogard

During the SFS Bureau's reorganization, Stephanie became the Deputy Director over MGA's newly formed Outreach Services Section. She was instrumental in developing the goals for the section and with guiding staff into outreach activities that would be available to schools statewide. Stephanie oversaw the reinventing and revising of two major outreach publications - the *Michigan Postsecondary Handbook* and *Paying for College in Michigan*.

On behalf of the SFS Bureau, she was the overseer of the federally funded GEAR UP Grant Program. Nationally, Stephanie represented MGA on the National Council of Higher Education Loan Programs (NCHELP) College Access Committee and on the Electronic Finance Council (EFC) Outreach Committee.

MGA extends our best wishes to Stephanie as well as our many thanks to her for giving the Student Financial Services Bureau five years of dedicated, professional service.



## **HIGHER EDUCATION RECONCILIATION ACT** **CHANGES EFFECTIVE JULY 1, 2007**

Following is an overview of the changes to the Federal Family Education Loan Program (FFELP) made by the Higher Education Reconciliation Act of 2005 (HERA) that are effective as of July 1, 2007:

### **Annual Undergraduate Stafford Loan Limits**

#### ***Statutory Change:***

Increases annual Stafford loan limits for first-year students from \$2,625 to \$3,500, and for second-year students from, \$3,500 to \$4,500.

#### ***Regulatory Changes:***

The November 1 Final Rule changed the trigger event to “loans disbursed” on or after July 1, 2007.

- For first-year undergraduates, the base subsidized/unsubsidized combined annual loan limit is \$3,500.
- For second-year undergraduates, the base subsidized/unsubsidized combined annual loan limit is \$4,500.

### **Unsubsidized Stafford Loan Limits for Graduate and Professional Students**

#### ***Statutory Changes:***

- Increases the annual unsubsidized loan limits for graduate/professional students from \$10,000 to \$12,000. So instead of a maximum \$18,500, graduate/professional students would be eligible for up to \$20,500 in Stafford loan funds, where no more than \$8,500 is subsidized.
- Increases the amount of unsubsidized Stafford loan funds available to students with an undergraduate degree who are enrolled in courses needed for enrollment in a degree granting program, and for students enrolled in a program necessary for professional certification as required for employment as a teacher. The additional unsubsidized Stafford eligibility for this population is \$7,000 (up from \$5,000). Instead of a maximum of \$10,500, these students would be eligible for up to \$12,500 in Stafford loan funds, of which no more than \$5,500 may be subsidized.

#### ***Regulatory Changes:***

The November 1 Final Rule changed the trigger event to “loans disbursed” on or after July 1, 2007.

- For graduate or professional students, the additional unsubsidized annual loan limit is \$12,000.
- For students who have obtained a baccalaureate degree and are enrolled in coursework necessary for enrollment in a graduate or professional program, the additional unsubsidized annual loan limit is \$7,000.
- For students who have obtained a baccalaureate degree, and are enrolled in coursework necessary for a professional credential or certification from a state required for employment as a teacher in an elementary school, the additional unsubsidized loan limit is \$7,000.

### **Origination Fees – Federal Stafford**

#### ***Statutory Change:***

Reduces Stafford (subsidized and unsubsidized) origination fees over time.

- Loans with a first disbursement made on or after July 1, 2007, will have a fee of 1.5 percent.

#### ***Regulatory Change:***

Regulations revised to reflect reduction of federal origination fees as follows:

- For Stafford loans first disbursed on or after July 1, 2007, but before July 1, 2008, a lender may charge a borrower an origination fee not to exceed 1.5 percent of the principal amount of the loan.

### **Citizenship**

In addition to all other General Eligibility Requirements, a student must be a citizen or eligible non-citizen to receive aid from the federal student aid programs. This topic covers citizenship requirements and issues surrounding documenting students' citizenship for Title IV financial aid purposes.

### **RESCHEDULED NTERACT QUARTERLY TRAINING**

The quarterly Nteract training originally scheduled for May 10 is rescheduled for May 21. The Webinar trainings are ideal for new or experienced staff. The training will be held in two sessions.

***10:00 a.m. Session 1 topics:*** (one-hour session)

- Nteract Basics

***2:00 p.m. Session 2 topics:*** (one-hour session)

- Nteract and E-Signature
- Nteract and Borrower- vs. School- Initiated Processes
- Nteract and Exit/Entrance Counseling
- File Transfer and School Information Systems
- Auto Debit Authority

To attend a session, please send an RSVP to [mari.hadley@nelnet.net](mailto:mari.hadley@nelnet.net) or call 1-313-849-2006 for log on information.

### **MATERIALS AVAILABLE FROM MGA DEFAULT AVERSION SYMPOSIUM III**

The third session of MGA's Default Aversion Symposium series, "A Holistic Approach to Default Aversion" was held on April 5. This session focused on dynamic thinking and student success as a campus-wide activity. (See the April issue of [Educational Loan Notes](#) for a complete summary article.) Speaker video presentations and written transcripts are available on our Web site at [www.mgaloan.com](http://www.mgaloan.com) by clicking on "Financial Aid Professionals" and following the link from the "Highlights" section. If you did not have the opportunity to attend the symposium, the speaker video presentations are the next best thing.

### **GEAR UP GRANT – GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS**

Together with the Michigan Department of Labor and Economic Growth's Postsecondary Education Services Division and the 15 four-year public universities in Michigan, MGA's Outreach Services has been engaged in activities to encourage middle school students to

start planning for postsecondary education or training. The federally funded GEAR UP grant was designed to follow a cohort of students from seventh grade through completion of high school.

During the first two years of the grant, Outreach Services will be facilitating the Extreme Reality Program. The program's purpose is to teach students about making life decisions through a role-playing exercise whereby they are assigned a monthly salary and expenses. Students are allowed to make choices about the type of lifestyle they want and can afford – frugal, moderate, or elaborate – based on the salary they are given to work with and "live on" for a month.

With the help of the GEAR UP coordinator from the University of Michigan-Dearborn, the Outreach Services team has facilitated the program in the following seven schools in the Detroit area: Hally Middle School, Winterhalter Middle School, Longfellow Middle School, Farwell Middle School, Robichaud Middle School, Burton International Middle School, and Blanchette Middle School. The Outreach Services team is available to facilitate the Extreme Reality Program in coordination with any of the 15 four-year public universities participating in the GEAR UP Grant Program who are interested in providing the program to the schools in their grant-funded area.

Outreach Services is planning financial literacy activities for the students as they move through each year of school. After the students experience the Extreme Reality Program, each year's activities will build on that experience. Each activity's intention is to encourage the students to strive for the dream they believe they can achieve and to "GEAR UP" for their future.

For more information regarding the Extreme Reality Program, please contact Peggy LaFleur at 1-800-642-5626, extension 38319, or via email at [lafleurp@michigan.gov](mailto:lafleurp@michigan.gov); Betty Calloway at extension 39639 or via email at [callowayb@michigan.gov](mailto:callowayb@michigan.gov); or Patty Hill at extension 36051 or via email at [hillpl@michigan.gov](mailto:hillpl@michigan.gov).

### MGA WEB ADVISOR UPDATE

More borrowers are taking advantage of MGA's Web Advisor, and they are seeing enhancements to the site. The MGA Web Advisor is an online service available to borrowers who have loans in repayment status. Borrowers can access the Web Advisor site by clicking on the Web Advisor icon in the left navigation bar of the MGA home page ([www.mgaload.com](http://www.mgaload.com)). Borrowers sign on to the site and obtain information on the status and amount of their loan(s).

Visits to the Web site have increased significantly, with the average monthly hits up for the last two months over 100 percent from levels six months ago. Additionally, the Web Advisor has seen more unique visitors in the first three months of 2007 than it did in the six months of 2006 since its inception. This shows that more borrowers are taking advantage of the services that the site offers and doing so more frequently. The most frequently visited pages after the login page are: the account summary page which shows demographic as well as balance and last payment information; the payment history page which lists all payments received; and the default summary page which includes balance and payoff information on defaulted loans.

New features of the site include improved payoff information so that when a payoff is displayed within the first 60 days after the date of a claim purchase, a message is shown to inform the borrower that collection costs will be assessed to the loan if the balance is not received by the 60<sup>th</sup> day. Another feature is access to Meteor for borrowers to get an aggregated view of all their loans regardless of where they are held. In addition, plans are in the works to offer online payment options for defaulted student loan borrowers including one-time and recurring, e-check, credit, and debit card payments by the end of 2007.

### ED RELEASES AUDIT GUIDE ON 9.5 PERCENT MINIMUM SPECIAL ALLOWANCE ELIGIBILITY

Attached to Dear Colleague Letter (DCL) [FP-07-06](#) is an Auditor's Guide issued by the Office of the Inspector General that provides information to assist lenders in identifying loans

that ED will accept as eligible for Special Allowance Payments (SAP) at the minimum 9.5 percent rate. The DCL also provides general information about the audit requirements with which FFELP lenders must comply to receive SAP at the minimum rate.

### THE "ED" PIPELINE

Following is a description and link to some of the most recent ED correspondence for schools and lenders.

#### **Dear Partner**

**April 2007**

[ANN-07-05](#)

This letter announces Federal Student Aid's (FSA) 2007-08 online, instructor-led training sessions on COD Basics: Resolving Issues with Title IV Grants. Aimed specifically toward resolving issues with Federal Pell Grant (Pell Grant), Academic Competitiveness Grant (ACG), and National Science and Mathematics Access to Retain Talent Grant (National SMART Grant) awards, this class will provide practical step-by-step guidance on how to research issues via the [Common Origination and Disbursement \(COD\) Web site](#).

#### **Dear Partner**

**April 2007**

[ANN-07-06](#)

This letter announces FSA's release of the first of three online, self-paced learning modules on EDEXpress for 2007-08. This first module covers FAA Access Menus and Navigation, Global functions, Packaging, and Using EDconnect to transmit data.

#### **Dear Partner**

**April 2007**

[ANN-07-07](#)

This letter announces FSA's release of the second of three online, self-paced learning modules on EDEXpress for 2007-08. This module, Pell Origination and Disbursement, covers all the Pell functions of the EDEXpress software.

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**Dear Partner****March 2007**[FP-07-02](#)

This letter announces a revised promissory note addendum and Plain Language Disclosure that explain changes made by HERA to Federal Stafford loan annual loan limits.

**Dear Partner****March 2007**[FP-07-03](#)

This letter announces approval of the revised Federal Consolidation Loan Application and Promissory Note and related documents for use in FFELP.

**Dear Partner****March 2007**[GEN-07-01](#)[FP-07-04](#)

This letter reminds program participants of the statutory and regulatory provisions that provide that student and parent borrowers may choose the lender from which they will borrow a FFELP loan.

**Dear Partner****April 2007**[FP-07-05](#)

Correction to Dear Colleague Letter FP-07-03.

**Dear Partner****April 2007**[FP-07-06](#)

This letter provides general information about the audit requirements with which FFELP lenders must comply to receive Special Allowance Payments (SAP) at the minimum 9.5 percent rate.

**Dear Partner****April 2007**[GEN-07-02](#)

This letter announces the maximum award amounts for the Academic Competitiveness Grant and National SMART Grant programs for the 2007-2008 award year. It also informs institutions that the 2007-2008 list of National SMART Grant approved major Classification of Instructional Programs (CIP) codes will be the same as the list used for the 2006-2007 award year.

### **LENDER LIST UPDATED**

School personnel were recently sent an updated "Participating Lender List" dated May 4, 2007. This list is printed annually, and periodic updates to the list are announced in *Educational Loan Notes*. Schools choosing to use the printed document should note the changes on their list as they are announced.

To access the most current lender information and eliminate the need for manual updates, use the electronic version of MGA's "Participating Lender List" available at [mgaloan.com](http://mgaloan.com). Select "Financial Aid Professionals," and then "FAA Resources." If you have any questions regarding the "Participating Lender List," please contact Pat Fromm at extension 36076 or via email at [frommp@michigan.gov](mailto:frommp@michigan.gov).

### **SCHOOL LIST UPDATES**

The following changes should be recorded by lenders on MGA's "Active Michigan School List" dated January 17, 2007. If you have any questions regarding these changes, please contact our School Services Unit extension 36074.

### **Contact Information Update**

#### **Davenport University**

Update Anna English's title to Federal Programs Coordinator for the following school codes:

002249-00  
002249-02  
002249-03  
002249-06  
002249-07

#### **Grace Bible College, Grand Rapids, 002265-00**

Delete Marlene DeVries. Daniel Wait is the new Financial Aid Director. Daniel's telephone number is 616-538-2330, fax number 616-538-0599, and email address is [dwait@gbcol.edu](mailto:dwait@gbcol.edu).

**“Q” AND “A”**

**A student completed an MPN intending to borrow a FFELP loan during the 2006-07 academic year, however no loan disbursements were made by the lender. Would the MPN still be valid for the 2007-08 school year?**

Unless the MPN is cancelled at the student's request, the lender's ability to make additional loans under the MPN would expire 12 months after the date the student signed the MPN if no initial disbursements are made.

**How does loan consolidation affect a school's cohort default rate (CDR)?**

If Stafford loans are repaid as a result of a consolidation, the loans would still be counted in the relevant CDR based on the date they entered repayment (as if they were not consolidated). Thus, if a student defaults on a Consolidation loan during the cohort period in which the underlying loans entered repayment, the loans are included in the CDR for the school where the loan was received.

For example: A student entered repayment on their Stafford loans in Fiscal Year (FY) 2005, and they were repaid by a Consolidation loan approved in FY 2006. If the student defaults on the Consolidation loan before the end of FY 2007, the underlying Stafford loans would be included in the 2005 CDR.

**A PLUS loan was approved for the parent of a dependent student for the fall/spring school year. The first disbursement was made on September 6, and credited to the student's school account. Before the second disbursement was made, the lender learned that the parent borrower had died on August 29. Since the lender and school were unaware of the borrower's death before the fall loan proceeds were delivered, may the school retain the first disbursement while canceling the spring disbursement?**

The disbursement or delivery of any PLUS loan funds after the date of the borrower's death (or the death of the dependent student) is prohibited. The school must return to the lender PLUS proceeds received in the fall, and the spring disbursement must be cancelled.

**A school that uses summer as a trailer to its scheduled academic year wants to award an eligible second-year student his or her full Stafford annual loan limit in the summer term — because the student didn't borrow in the prior fall or spring. The school has already certified for the student the current Stafford base annual loan limit of \$3,500. Since the summer term includes July 1, 2007, i.e., crosses over, can the school increase the certified amount to \$4,500 to take advantage of the increased Stafford base annual loan limits that are effective this July 1?**

While the increased annual loan limits are effective this July 1, they are effective for loans *first* disbursed on or after July 1. Thus, the school could increase the certified amount to \$4,500 only if the first disbursement of the loan occurs on or after July 1. Or, the school could retain the current certified amount of \$3,500 with a first disbursement before July 1, and certify a separate loan amount of \$1,000 with a first disbursement of that loan on or after July 1.

Note: In the scenario that a first- or second-year student has already borrowed his or her current Stafford annual loan limit before the summer term begins, the school can certify the difference between the eligible student's current loan limit and the increased loan limit for the summer, making sure that the first disbursement of the summer loan does not occur until on or after July 1.

Another note: In the scenario that a first- or second-year student has already borrowed his or her current Stafford annual loan limit and progresses in grade level before the summer term begins, the school can certify the difference between the eligible student's current loan limit at the prior grade level and the student's

*(Continued on the next page.)*

increased loan limit at the higher grade level for the summer. For example, a first-year student enrolls and completes 12 hours in fall and 12 hours in spring, borrowing the Stafford annual loan limit of \$2,625 over both terms. The school considers a student to progress in grade level once the student has completed 24 hours. Because the student is now a second-year student, and because of the Stafford annual loan limit increase, the school can certify a loan amount of \$1,875 – the increased Stafford annual limit for a second-year student of \$4,500 minus the \$2,625 the student has already borrowed. Of course, the school would have to ensure that the first disbursement of the loan does not occur until on or after July 1. The school could exercise the option of certifying \$875 – the current second-year Stafford annual loan limit of \$3,500 minus the \$2,625 the student has already borrowed – with a first disbursement before July 1, and certify a *separate* loan amount of \$1,000 with a first disbursement on or after July 1.

**Who or what is [KnowHow2GO.org](http://KnowHow2GO.org)?**

A public service campaign supported by the Lumina Foundation for Education, the American Council on Education and the Ad Council to educate students about the steps they need to take to make their college dreams a reality. Their goal is to encourage and prepare more low-income and first-generation students to actively pursue higher education.

The organizations have worked hard to create a campaign that is simple to understand and easy to communicate. With the guidance of a range of experts four steps were developed that young people should take now to prepare for college. While these steps do not address all the complexities and issues associated with college preparedness, they push students in the right direction and help ensure that they ask needed questions.

The steps are communicated to young people through exciting multi-media formats. A Web site, [KnowHow2GO.org](http://KnowHow2GO.org), and a toll-free number at the U.S. Department of Education (1-800-433-3243), support the public service campaign.

Is there a topic you would like to see addressed in a future “Q” and “A”? Send your suggestions to Jim Peterson, editor, at [peteronj@michigan.gov](mailto:peteronj@michigan.gov).



# Calendar of Upcoming Events

## May 2007

28 MGA Offices Closed

## June 2007

24-27 MSFAA Summer Training  
Crystal Mountain  
Thompsonville, Michigan

## July 2007

4 MGA Offices Closed

8-11 NASFAA Annual Conference  
Washington, DC

If you need further information or wish to submit items for the calendar, please contact Jim Peterson, Editor, at extension 36944 or via email at [petersonj@michigan.gov](mailto:petersonj@michigan.gov).